



Director of  
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Intelligence

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July 2000

# Chile: Days of Protest

Special National Intelligence Estimate

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July 2000

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CHILE:  
DAYS OF PROTEST

Information available as of 27 September 1983 was  
used in the preparation of this Estimate.

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THIS ESTIMATE IS ISSUED BY THE DIRECTOR OF CENTRAL INTELLIGENCE.

THE NATIONAL FOREIGN INTELLIGENCE BOARD CONCURS.

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The Central Intelligence Agency, the Defense Intelligence Agency, the National Security Agency, and the intelligence organization of the Department of State.

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## PREFACE

The erosion this year of President Pinochet's domestic support and the growth of a broad-based opposition movement—both fueled to a large extent by the nation's economic decline since 1981—have placed Chile irreversibly on the path to political change. Under the present timetable for transition to civilian rule, Pinochet's term of office is to end in 1989, and a congress is to be elected in 1990. At that time, Pinochet is to have the option of standing for reelection as a civilian to another eight-year term. The protest movement has forced Pinochet—clearly against his will—to negotiate with the democratic opposition over these questions, as well as other political and economic policies, in order to preserve his base of support in the military. The fragility of these negotiations raises the danger that Pinochet's continuation in office could become the irreconcilable central issue in the political crisis. This year will end with the Christmas holidays and the beginning of the three-month Southern Hemisphere "summer" vacation, a traditional period of reduced activity that will make the period between now and the end of December critical for both sides. It is therefore the appropriate time frame for the primary focus of this Estimate. [REDACTED]

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## KEY JUDGMENTS

The pace and outlines of what we regard as irreversible political change in Chile will be determined over the next three months by the success, simple persistence, or collapse of negotiations between representatives of the government and the democratic opposition. We believe there is a fair chance (roughly 60 percent) that these negotiations will progress haltingly through December, erode the cycle of opposition protests, and result in a tentative agreement for accelerating some elements of the transition to civilian rule. Differences will remain, making the dialogue a continuing feature of the political landscape into next year. [REDACTED]

Neither President Pinochet nor leaders of the democratic opposition would be likely to embrace an agreement enthusiastically. Pinochet's preference would be to adhere to the transition formula outlined in the 1980 Constitution, suppressing dissent vigorously. The armed forces, however, which are still his chief base of support, and Interior Minister Jarpa apparently are convinced of the necessity of some democratic opening and are moving the President in this direction. Moreover, Pinochet's personal prestige in the military, particularly with the Air Force and Navy, also has suffered in recent months because of his loss of public backing and because of revelations that members of his family have abused their privileged positions. On their part, democratic opposition leaders want to see Pinochet replaced. They are coming to realize, however, that insistence on this demand could polarize society and clear the way for the radical left to dominate the opposition movement. [REDACTED]

We estimate that even with a political truce or settlement by December, the tranquilizing effects could fade steadily, and by late 1984 attention could focus again on the question of Pinochet's term of office. In an unpredictable atmosphere of political ferment, with new party leaders searching for issues and goals, five more years of rule for Pinochet would be increasingly in doubt. [REDACTED]

There is a lesser chance (roughly 40 percent) that the dialogue—which rests on a very fragile base—could collapse over government intransigence, the eruption of violence, the departure of Jarpa, or some

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[REDACTED]

other complication. The protest movement would swell and increasingly center on the call for Pinochet's resignation—the one issue that comes close to unifying all opposition elements. Polarization and spiraling violence would combine with Pinochet's reluctance to grant concessions and eventually would force the armed forces to choose between repressing the government's opponents or removing Pinochet. We judge that the military high command, acting by consensus and with the subsequent support of the lower ranks, would replace the President with another officer or some military-civilian body. [REDACTED]

Even if this downside scenario were to occur, we see within it only about one chance in three that the process would culminate in Pinochet's ouster by yearend; his departure, however, would become a strong probability by mid-1984. We believe the armed forces would stand by the President longer if, in the military's view, the dialogue collapsed because of an intransigent opposition demand for Pinochet's resignation. The armed forces would still eventually replace him rather than continue to suppress protests. While there would be widespread disorder under this scenario, we do not foresee open civil war or the collapse of the political system. [REDACTED]

Under either scenario, we do not expect that the radical left would be able to make significant gains in the short term. It may be the left's recognition of this that has led to the recent reported consensus among the Communist Party and the Movement of the Revolutionary Left (MIR) in favor of a strategy of armed struggle. This effort is aimed at provoking government repression and undermining the dialogue. Although there is a chance that this tactic could succeed, it is more likely to fail because of the government's awareness of the ploy, the MIR's heavy losses over the last year and a half, the public's distaste for violence, and the strength and efficiency of the security forces. Thus, even though the Soviet Union has an intense interest in seeing Pinochet ousted, the fact that the anti-Communist military is likely to continue to broker political power means no significant concrete gains for Moscow. The same would be the case for Havana, which would continue to provide—and might accelerate—guerrilla training for the MIR, but would probably counsel against hasty actions by the left. [REDACTED]

Even though the severe two-year downturn in the Chilean economy was largely responsible for catalyzing the opposition movement, at this point the likelihood of modest economic recovery by yearend will not reverse the process. Organized labor, which played a key role in the early protests, has been replaced by political coalition leaders, who have given the antigovernment movement a primarily political dynamic.

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Thus, according to the US Embassy and our own estimate, the government's success in sustaining a modest recovery and the probability that official unemployment will be reduced to 15 percent by December will not significantly ease political pressures on the government. [REDACTED]

The United States has various strategic, political, and diplomatic interests in Chile, and a substantial economic exposure. Since US arms sales and economic and military assistance programs were suspended in the late 1970s, however, Washington has had only a limited capacity to influence events. Pinochet is still interested in obtaining US certification of improved human rights practices, which would permit resumption of such programs, but he also has a fairly successful record of resisting foreign pressures. A political settlement in Chile would have both positive and negative effects on US interests. The gains would include more respect for human and civil rights and probable eventual renewal of military cooperation. The drawbacks could include greater assertiveness on the part of leftist and nationalist groups interested in reducing political, trade, and financial ties with the United States in favor of a more Third World pattern. These negative risks would be greatly increased under the downside scenario. The government could come under the control of highly nationalistic military officers, who might rescind diplomatic, security, and military exercise cooperation. At the same time, economic policies could come under the influence of some business and other civilian or military sectors that are seeking drastic changes, which could lead to reduction of imports from the United States and suspension of principal and interest debt servicing payments to US banks. [REDACTED]

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## DISCUSSION

### Evolution of the Crisis

1. By early 1983, the two-year economic recession and Pinochet's perceived aloofness from popular concerns had combined to undermine his domestic backing, bringing it to its lowest point since he succeeded President Allende in the military coup of 1973. The Pinochet government's stubborn refusal to adjust its economic policies in the face of the world economic recession was partly responsible for the severity of Chile's economic crisis, which was manifested last year in a 14-percent drop in GNP, 25-percent unemployment, falling real wages, and widespread business failures. Moreover, when the drying up of foreign credit forced a policy change, especially a large devaluation, the government at first handled the resulting liquidity crunch badly.

2. Sensing Pinochet's growing vulnerability, political opponents began organizing to press for changes in government economic and political policies. In February the Christian Democratic-dominated National Development Project (PRODEN) became the first broad political-labor coalition to organize and demand an acceleration of the constitutional timetable, which delineates the transition to civilian rule in 1989. A group originally called Multipartidaria and now called Democratic Alliance—comprising the conservative Republican Party; the center-left Christian Democratic and Social Democratic Parties; and the leftist Radical Party and factions of the Socialist Party—issued more specific demands in March and a formal transition plan in August. Other far-left factions of the Socialist Party formed the Socialist Convergence in April. Labor coalitions also organized early in the year to press union demands. The National Workers Command included unionists from the five largest labor confederations and was led by Rodolfo Seguel, head of the Copperworkers Confederation. Several professional groups, lawyers in particular, participated in early protests as well.

3. Beginning on 11 May, the opposition coalitions began promoting a "day of national protest" each month. These were largely peaceful protests urging

Chileans to keep children home from school, boycott stores and public transportation, and bang pots and pans in the evening. Labor was instrumental in promoting the early protests, until the government cracked down on striking copper miners, and an attempted national strike in June failed to draw widespread support, thus aggravating divisions within labor. Since then, the political coalitions, and especially Chile's largest party, the Christian Democratic Party (PDC), have seized leadership of the democratic opposition movement.

4. The government responded to protests through the summer with selective repression (arresting protest organizers and firing striking workers) and limited concessions (granting debt relief to truck owners and allowing some exiles to return). As 11 August and another "day of national protest" approached, however—this one centering for the first time on a call for Pinochet's resignation—the government reassessed its strategy. With some of his advisers counseling concessions and uncertain whether the military would tolerate a complete crackdown, Pinochet appointed former Senator Sergio Jarpa as his new Interior Minister. Jarpa, a well-known conservative politician and diplomat, was authorized to begin negotiations with moderate opposition leaders. When 27 people were killed in protests immediately after Jarpa took office, the pressure to grant concessions increased. Since that time, Jarpa has met with opposition political, labor, and human rights leaders.

5. The Democratic Alliance has presented a list of demands that, informally at least, has become the agenda for negotiations between the government and the democratic opposition:

- End to the state of emergency.
- End to the application of Article 24 of the 1980 Constitution, which gives the President extraordinary powers to suspend civil liberties.
- Promulgation of an electoral law.
- Recognition of political parties.

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- Return of exiles.
- Free press and free assembly.
- Investigation of deaths during the 11 August protests and rehiring of fired copperworkers.

6. Since the end of August, the government has lifted the state of emergency (a "state of disturbance" remains), allowed another 1,160 exiles to return, eliminated most media censorship, initiated a process that would legalize political parties by early next year, promised a plebiscite to allow election of a congress—in Jarpa's words—"well before 1989," authorized a protest rally for the first time in years, and announced concrete measures to stimulate 160,000 new jobs. These were not enough to head off further national protests in early September—which left 17 dead—but they fostered a more constructive atmosphere and have set the stage for continuing talks in the weeks ahead.

#### The Balance of Forces: Perspectives and Strategies

##### The Democratic Opposition

7. The democratic opposition enjoyed remarkable success through July in maintaining unity and building momentum. Government concessions, however, and the posture and activities of the far left have at least temporarily strained that unity and presented the moderates with a dilemma. They recognize that their bargaining leverage with the government has derived almost solely from their ability to continue staging protest demonstrations. If in exchange for tentative government concessions they agree to scale down protests—or even if against their best efforts, such concessions reduce public support for the opposition movement—their bargaining power could be weakened. In either case, the moderates risk losing the opposition initiative to the far left, which will accuse them of failing or selling out.

8. [redacted] Party President and Democratic Alliance chief Gabriel Valdes was skeptical in late August about the

dialogue's chances for success. Valdes, however, represents left-of-center elements in the democratic opposition that favor demanding Pinochet's resignation. A second, more moderate opposition faction evidently prevailed on this issue late last month when the call for the President's resignation was dropped from the Democratic Alliance's list of demands. These moderate opposition leaders probably are arguing for shelving the question of Pinochet's tenure for now, while concentrating on gaining all of the other concessions possible.

9. Under these circumstances, the Democratic Alliance probably will continue negotiations with the government in the weeks ahead, but will also continue to stage periodic protests. If public support for the demonstrations begins to wane because of government concessions or general weariness, the moderates might increasingly have to work with the radicals, whose organization and expertise give them a greater capability to stage protests in poor neighborhoods.

##### The Radical Left

10. The radical left, including the terrorist Movement of the Revolutionary Left (MIR), factions of the Socialist Party, and the Communist Party (PCCh), is beginning to arrive at a consensus strategy.

Over the past several years these organizations, factions within them, and elements inside and outside the country have debated the choice between armed struggle or nonviolent activities designed to win them acceptance into the broad-based opposition movement. With the Socialists probably irreconcilably split into semipermanent factions over this question, and the MIR firmly committed to violence, only the Communists—the largest and best organized component of the far left—were undecided.

11. By late August, however, the beginning of negotiations between the government and the moderate opposition reportedly alarmed the radicals by raising the prospect of a compromise settlement that could deflate the opposition movement.

at this point the PCCh central committee approved a broad program of activities—including violence and cooperation with the MIR and the radical Socialists (Almeyda faction)—to bring down the government.

<sup>1</sup> Pinochet retains most of the extraordinary powers under Article 24 to detain and exile persons for threats to national security.

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[REDACTED] several leaders of these groups formed a "Popular Action Coordinator" and planned violent activities to occur on 30-31 August (on these dates, terrorists assassinated the military governor of Santiago and staged several bombings). The goal of these plans was not to topple the regime but to undermine chances for a compromise settlement by provoking a government crackdown. [REDACTED]

12. [REDACTED] following the protests in early September some elements of the Communist Party were reconsidering the strategy of armed struggle because it threatened to isolate them politically and reduce their popular standing. Also, the MIR was said to be scaling back its efforts because of recent heavy losses. With the Democratic Alliance still refusing to embrace the far left, however, a strategy of violence is the only reasonable alternative for the MIR and probably for most of the PCCh as well. Thus, we believe that the bulk of the radical left will continue to promote violence in an effort to thwart any attempts by the government and the democratic opposition to defuse the political crisis. [REDACTED]

#### Pinochet

13. So far, Pinochet has not taken the radicals' bait, despite his presumed preference for using force to reestablish control. [REDACTED]

[REDACTED] we believe that the opposition's momentum and military sentiment in favor of concessions have persuaded him that a crackdown would be counterproductive at this time. It is because of his overriding concern to stay in office that he reportedly acceded to military concerns by appointing Jarpa and authorizing negotiations with the democratic opposition. [REDACTED]

14. At this point, we suspect Pinochet still hopes to yield as little as possible to his opponents in order to buy time and foster splits in their ranks. At the same time, he will attempt to persuade the military that he is negotiating in good faith and will play on its fears of the politicians, in case conditions in the country deteriorate and his position is threatened. [REDACTED]

15. We assume that Pinochet's strategy also will reflect concern about sustaining the modest economic recovery that began earlier this year. This could be jeopardized by a government crackdown and an ensu-

ing backlash of opposition violence. He may therefore regard continuing negotiations with his democratic opponents as the best strategy to rebuild foreign and domestic confidence in the economy. Retarding capital flight and encouraging foreign investment will be

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[REDACTED]

difficult tasks, given Chile's politically uncertain environment and the fact that the status of the free market experiment is in doubt. [REDACTED]

#### The Military

16. Both the democratic opposition and Pinochet recognize that the armed forces will ultimately define the course and extent of political change in Chile.

#### Reporting

[REDACTED] all confirm that the top leadership of the services—especially the pivotal army—still support the Constitution of 1980 and Pinochet's continuation as President. This is not simply the result of Pinochet's care over the years in hand-picking loyal subordinates for top military posts. It also reflects the conviction of most military leaders that the civilian politicians, especially the Christian Democrats, bear much of the blame for the Marxists' victory under Allende in 1970 and for the ensuing chaos. Because most observers believe the left probably still retains the support of about a third of the electorate—a percentage it has historically attracted—the military is in no hurry to return full power to moderate civilians, who they believe could again deliver the country to radicals. The armed forces are also concerned that, once in power, the civilians would engage in a "witch hunt" for military officers responsible for human rights abuses during the Pinochet regime. [REDACTED]

17. Despite these reservations, [REDACTED] armed services favor an acceleration of some elements of the transition to civilian rule. Their reasons range from a general concern over the potential for political polarization and radicalization of the opposition movement to a distaste for having to control civil disorders and perform other nonmilitary police functions. We believe [REDACTED] that top military commanders have made these views known to Pinochet, and, for this reason, the President avoided using troops during the protests in early September. Pinochet also is probably aware that his personal prestige in the armed forces has declined in recent months because members of his family have abused their privileged positions. [REDACTED]

18. We do know that some members of the armed forces favor Interior Minister Jarpa's efforts to negoti-

ate a political settlement, particularly senior officers in the Air Force and Navy, where military backing for Pinochet has always been weakest. [REDACTED]

[REDACTED] Because Jarpa reportedly meets several times a week with each junta member, he probably is aware of this support, and presumably Pinochet is as well. [REDACTED]

19. The Chilean military is one of the most unified and highly professional armed forces in Latin America, and thus is likely to act in concert whenever it commits itself to any new political course. For the present, it appears to favor keeping Pinochet as President in the context of a limited democratic opening. Therefore, it will probably throw its weight behind a continuation of the negotiations. Their failure, however, and an increase in violence and polarization would place great strain on armed forces unity. If the high command came to believe that it must choose between suppressing broad opposition on Pinochet's behalf and ultimately preserving military unity, we judge that Pinochet would be replaced. The armed forces leadership, particularly the Army, might take some months to reach such a decision, but it would be supported throughout the ranks. [REDACTED]

#### Interior Minister Jarpa

20. Jarpa has become Pinochet's "superminister" for political issues, similar to the powerful economic advisers the President has employed in the past. Jarpa is close to the regime, having served capably as Pinochet's ambassador to Argentina until August. Also, in the 1970s when he was president of the National Party—once Chile's largest conservative party—he supported the government's ban on parties. At the same time, given his background in politics, Jarpa is a more independent figure than any other Cabinet member, a position he has buttressed recently by establishing his own ties to members of the junta, the Church, the media, and even elements of the opposition. [REDACTED]

21. Jarpa's personal motives are unclear. As a presumably ambitious professional politician, he may hope to put himself in a position to fill any planned or unplanned political vacuum that might occur in the

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months ahead. [REDACTED]

[REDACTED] Jarpa may therefore genuinely want to accelerate the transition process. This does not, however, rule out that the two men might, for different reasons, agree on tactics aimed at buying time and splitting the opposition. It is unclear how much license the President has given Jarpa, and more than once the two have contradicted each other publicly on the nature of political concessions. In late August, for example, Jarpa proposed a plebiscite to clear the way for election of a congress "well before 1990," but Pinochet then spoke of complying with "established deadlines" and only the "possibility" of a congress by 1988 [REDACTED]

22. Jarpa is critical to the success of the negotiations, most importantly because he has come to represent the government's willingness to bargain. Almost all parties recognize that if he left the job now—whether because of opposition intransigence, differences with Pinochet, or general frustration—the atmosphere for negotiation would deteriorate. Even if it appointed a more skilled and independent replacement, the government would not be able to recapture the credibility it would lose. Thus if, as it appears, Jarpa indeed has his own ideas about the transition, he could have considerable latitude and military backing to negotiate virtually any issue except Pinochet's resignation [REDACTED]

#### Prospects for the Negotiations

23. Over the next three months, we believe Chile will be caught up in a cycle of antiregime protests and government-democratic opposition dialogue, each with a dynamic of its own but related to and affected by the other. Neither is entirely under the control of the contending parties, especially the protests, which could erupt in major violence because of a government overreaction, radical left provocation, or both. Thus, the dialogue aimed at clearing the way to a democratic opening rests on a very fragile base. Its collapse almost certainly would make Pinochet's continuation in office the central issue of the political crisis, which—though close—is not yet the case [REDACTED]

24. Talks between the government and the Democratic Alliance were suspended in the aftermath of the protests in early September, but were resumed at the end of the month for several reasons:

- Pinochet does not want to make his continuation in office the key issue.

- [REDACTED] Christian Democratic Party leaders were upset at Valdes's suspension of the dialogue.

- The democratic opposition does not want to surrender leadership of the protest movement to the violent left.

- [REDACTED] the military favors Jarpa's efforts to negotiate.

- The Church, the United States, and other influential outside forces are urging continued dialogue. [REDACTED]

25. We expect the talks will continue to stall now and then during periods of protest activity. The democratic oppositionists are concerned that their limited control over the protests could lead to major, counterproductive violence, but they must continue them to maintain leverage with the government. For this reason, Democratic Alliance leaders probably were disappointed that the demonstrations in early September were not larger, since the 10th anniversary of Allende's fall was a major opposition target date. They obviously were relieved, however, that massive violence did not occur, and they will continue to try to curb it. [REDACTED]

26. Having apparently accepted for the moment that Pinochet's ouster is unobtainable, democratic opposition leaders probably will attempt to agree on a negotiating strategy that will gain as many of their other demands as possible by December. Sustaining the protests after December will be difficult, because of the onset of good weather and the deeply rooted tradition of "summer" vacations. Thus, the antigovernment forces are working on a short timetable. Moreover, the dialogue is still at a fairly informal level in terms of agenda, schedule, and spokesmen for the opposition, a situation that benefits the government because it increases the time required to get down to hard bargaining. [REDACTED]

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27. If the talks survive long enough to focus on the crucial questions, the timing of the democratic opening probably will become a more contentious issue than the elements of that opening. With everything negotiable except Pinochet's departure, both sides already have implicitly agreed that accelerating the transition means: (1) legalizing political parties, (2) holding a plebiscite to amend the Constitution to permit election of a congress before 1990, (3) allowing the return of exiles, and (4) restricting the government's use of special powers under Article 24 to curtail civil liberties. The opposition wants these elements in 18 months; the government seeks a much longer time frame.

28. The two sides probably could agree to legalize parties early next year and hold a plebiscite by mid-to-late 1984 that would clear the way for election of a congress. Both processes, however, are potentially rife with complications that could enable the government to string out the timing. The legalization of parties will require National Security Council review and could lead to some controversial rulings on leftist organizations. Constitutional provisions may not permit plebiscite voting by ID card, as was done in 1980, in which case time-consuming compilation of electoral registers may be necessary. Even if this is avoided, the two sides probably would favor formal voter registration before congressional elections, since it would buy the government more time and give the opposition greater protection from fraud.

29. According to informed government sources, it would take 18 to 24 months to compile electoral registers. Recent experience in other countries where political processes have been suspended for some years, such as Argentina, suggests that registration might be completed in a year or so. Transition processes currently under way in Brazil and Uruguay, however, have been more carefully regulated by the governments and extended over several years.

30. The government might consider using the question of timing to foster differences within the opposition. Ironically, however, it may no longer be in the government's best interests to promote the splintering of the opposition, since this would aggravate polarization and create a vacuum that might be filled by the radical left. Thus, we judge that the support of

military leaders, the Church, and the public at large for Jarpa's efforts will increase pressure on Pinochet in the next month or so to put aside these tactics and allow his Interior Minister to negotiate in relatively good faith.

31. The administration's hope that giving the economy time to recover could undermine the incentive to protest is not realistic over the next few months. recent Chilean economic measures promise to sustain the modest recovery and reduce unemployment to 15 percent by yearend, but probably will not reduce political pressures. Economic considerations are not the key focus they were in the early months of the opposition movement when labor was heavily involved. Party leaders have given the protests a primarily political content that promises to endure. Press reports consistently emphasize economic grievances at the root of protests in poor neighborhoods, the scene of most of the violent demonstrations to date. Communist efforts, however, probably account for much of this, and, in any event, improvement in the economy will have a marginal impact at best in such neighborhoods, according to most observers.

32. After balancing the pressures on both parties against the fragility of the dialogue, we believe there is a fair chance (in the neighborhood of 60 percent) that negotiations will progress through December, erode the cycle of opposition protests, and result in a tentative agreement for accelerating some elements of the transition to civilian rule. We expect some unsettled differences and some new issues at that time, which will make the dialogue a continuing feature of the political landscape into next year. But the government probably will take the necessary steps—legalization of parties and scheduling a plebiscite to permit early congressional elections—to lead to a resumption of political activity, into which opposition leaders can begin to pour their energies.

33. At least one admonition is in order, however, under this scenario. We believe that the tranquilizing effects of political concessions could fade steadily and that, perhaps by late 1984, the air of anticipation created by the opening would center attention again on the issue of Pinochet's term of office. It is not so much a question of whether concessions will mollify the democratic opposition or whet its appetite—we

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feel reasonably confident that the former will obtain in the short term. Rather the question is, "How much time will political concessions buy for Pinochet?" The resumption of political activity will set many new forces in motion, and, while the results are unpredictable, 1989 will seem very far off to political leaders searching for new issues and goals. In such an atmosphere, five more years of rule for Pinochet would be increasingly in doubt. [REDACTED]

#### Downside Risks

34. Any downside scenario, the chances of which are roughly 40 percent, would begin with the failure to resume or the subsequent collapse of the negotiations. This could occur as a result of one or more of the following:

- Obvious intransigence on the part of Pinochet or a government crackdown.
- The resignation of Jarpa or his assassination.
- The democratic opposition leaders, faced with the threat of splintering over strategy and negotiating positions, agreeing to demand Pinochet's resignation in order to preserve their unity.
- Massive and violent leftist-inspired protests.
- An overreaction by troops that results in a large number of deaths.
- Terrorist actions by rightist paramilitary groups, one of which was reported to be forming last June with the help of the notorious former intelligence chief, Manuel Contreras.
- The assassination of a prominent opposition figure. [REDACTED]

35. The collapse of negotiations before December would add to the size and probably the frequency of opposition protests. Increasingly, demonstrations would center on the call for Pinochet's resignation, and, in response, the President would be inclined to crack down on dissidents. The armed forces would bridle at the prospect of being used to control protests. According to the US defense attache, however, the Carabineros (national police), who would be on the front lines facing protestors, might be the first to break ranks. In any event, the military probably would soon

urge the President to make the necessary concessions—short of his resignation—to bring the democratic opposition back to the bargaining table. [REDACTED]

36. Assuming this failed, Pinochet presumably would know when the military began to debate seriously the alternative of replacing him. He would do all he could to head off such a move, probably even risking a split in the armed forces. Serious military divisions could lead in the short term to major political disorder, violence, and heightened radical activity, though short of open civil war. In view of the losses suffered by the MIR over the last year and a half, the public's distaste for violence, and the strength of the security forces, the violence-prone radical left would not be likely to succeed in destabilizing the country. Confidence in the economy, however, would collapse, the recovery would be gutted, and economic chaos would ensue. It is difficult to say how long such disorder would prevail or what would finally emerge from it. A military-dominated government would be more likely to result—since the military factions would be the best armed of the significant elements—than a system in which the far left had a major role. Nonetheless, disorders extending well into 1984 could enhance the potential for leftist participation in the opposition movement. [REDACTED]

37. We do not believe, however, that the situation would reach this stage. Instead, we judge that the armed forces would defeat any attempt by Pinochet or others to divide them. They would, by consensus of the high command and with the subsequent support of the lower ranks, replace the President. There is only about one chance in three that the downside process would reach this conclusion by yearend, in our view, but it would become a strong probability by mid-1984. We believe the armed forces would stand by the President longer if, in the military's view, the dialogue collapsed because of an intransigent opposition demand for Pinochet's resignation. The armed forces would still eventually remove him rather than continue to suppress protests. In rough order of likelihood, the successor would probably be another Army officer, a military junta, an Air Force or Navy commander, a conservative civilian, a military-civilian coalition, or a moderate opposition figure. [REDACTED]

38. The Soviet Union would welcome the downside scenario. Since Pinochet overthrew Allende, the first democratically elected Marxist head of state in Latin

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America, the USSR has had a special interest in Chile. The head of the Chilean Communist Party has resided in Moscow for years, Marxist exiles have been supported by Bloc countries, and Communist Party policy has reflected major Soviet doctrinal, tactical, and financial influence. But we do not see the Chilean far left profiting significantly under a system that would still be dominated by the anti-Communist military. Moscow would gain little more than the satisfaction of seeing Pinochet ousted; nonetheless, the Soviets would portray his departure as an indication of the decay of Chile's political system and the military's growing inability to contain popular discontent.

39. Havana also would welcome Pinochet's departure, but would be frustrated by not being able to take advantage of it because of the weakened state of the Chilean left. Cuba would continue to urge careful long-term building of guerrilla and political bases capable of capitalizing on opportunities, unification of leftist efforts, and attempts to affiliate with the broad opposition front. Havana would continue to provide—and might accelerate—guerrilla training and other assistance to members of the MIR, but would be likely to counsel against hasty and suicidal actions.

#### Implications for the United States

40. The United States will potentially be affected in several regards by the course of political change in Chile, yet it has only limited capacity to influence events. Pinochet is strongly inclined to resist all international pressure and has a fairly successful record of doing so. The absence of significant US economic and military assistance programs and arms sales with Santiago also limits US leverage. We believe, however, that Pinochet is still interested in obtaining US certification—of improved human rights practices, nonsupport of international terrorism, and cooperation in the Letelier assassination case—in order to resume such programs. Specific US interests that could be affected include:

— *Strategic.* Chile controls part of the southern sea transit between the Atlantic and Pacific Oceans through the Magellan Straits, which could be even more important if the Panama Canal were ever shut down; Chile's long coastline parallels important South Pacific sea lanes; Chile is a

claimant to part of Antarctica; Chile has important mineral reserves, especially copper and lithium.

— *Political.* The course of events in Chile, and Washington's response, will reflect on US policies of support for democratization and human rights worldwide and also on US policy in Central America; Chile has been a consistent supporter of US positions in international forums, especially on East-West issues.

— *Diplomatic.* Among US allies in Western Europe, only the United Kingdom consistently supports Pinochet because Santiago provides important benefits in Britain's dispute with Argentina over the Falklands; only Brazil, among the significant regional powers, has good ties with Santiago; the Pope has publicly called for changes in Pinochet's political and human rights policies.

— *Economic.* US banks hold some \$6 billion in Chilean loans and already have witnessed a disruption in debt repayments; difficulties with the International Monetary Fund (IMF) program could quickly translate into further disruptions in servicing the debt to US banks; US exports to Chile shrank \$800 million, or 40 percent, last year in response to the decline in economic activity.

41. A political settlement in Chile by yearend would have both positive and negative effects on US interests. The gains would include more respect for human and civil rights and probably eventual renewal of military cooperation. The drawbacks could include greater assertiveness on the part of leftist and nationalist groups interested in reducing political, trade, and financial ties with the United States in favor of a more Third World pattern. These negative risks would be greatly increased under the downside scenario. The government could become dominated by highly nationalistic military officers who resented the refusal of Washington to certify Chile for a resumption of arms sales and military and economic assistance. They might increase arms purchases from West European, Israeli, and other sources, and might reduce diplomatic, security, and military exercise cooperation. They might also allow a larger role in economic policy for some business and other civilian and military sectors

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that advocate drastic changes, which could lead to reduction of imports from the United States and suspension of principal and interest debt servicing payments to US banks [REDACTED]

#### Indicators of Serious Political Instability

##### 42. *Protests:*

- Street demonstrations expand beyond the pattern to date of protests in poor neighborhoods and by students to include more middle class Chileans.
- Active and passive protest activities begin to occur more frequently than on the monthly day of protest.
- Active and passive protests continue at a high level despite progress in government-opposition negotiations.
- Major demonstrations intensify in cities outside Santiago.
- Protest activities begin to center consistently around the demand for Pinochet's resignation.
- Protesters begin to destroy property beyond a few buses and autos.
- Workers agree to participate in strikes despite the threat of losing their jobs.
- A national strike is successful for more than one day. [REDACTED]

##### 43. *The Opposition:*

- Political groups begin to rally around one or two central leaders, such as Christian Democrats Gabriel Valdes or Andres Zaldivar.
- Zaldivar, president of Christian Democratic International, begins to exploit his international connections.
- Labor and social organizations become formal partners in the Democratic Alliance.
- Copperworkers Confederation chief Seguel begins receiving support from other unions and

confederations as the primary spokesman for all labor.

- Democratic opposition groups begin to cooperate openly with the Communist Party. [REDACTED]

##### 44. *Government Policies:*

- The government reimposes the state of emergency or state of siege and full censorship.
- Pinochet replaces many of the civilians in his Cabinet with military officers.
- The government does not continue to reaffirm standing orders to the security forces to use restraint in controlling protest demonstrations.
- The government is forced to impose more severe controls to halt capital flight.
- The government shifts to more expansionary economic policies in violation of IMF performance targets.
- Pinochet stops appearing in public. [REDACTED]

##### 45. *The Military:*

- Air Force junta member Matthei publicly disagrees with Pinochet's policies on the transition to civilian rule.
- Some members of the armed forces leadership begin publicly to question the use of military forces to control civil disorders.
- A security force unit panics and fires indiscriminately on demonstrators or conversely refuses an order to fire.
- Armed forces commanders begin privately discussing the possibility of removing Pinochet. [REDACTED]

##### 46. *The Media:*

- Moderate media outlets cease counseling against violent opposition to the government.
- Radio stations and newspapers begin to attack the administration's policies even at the risk of being shut down. [REDACTED]

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